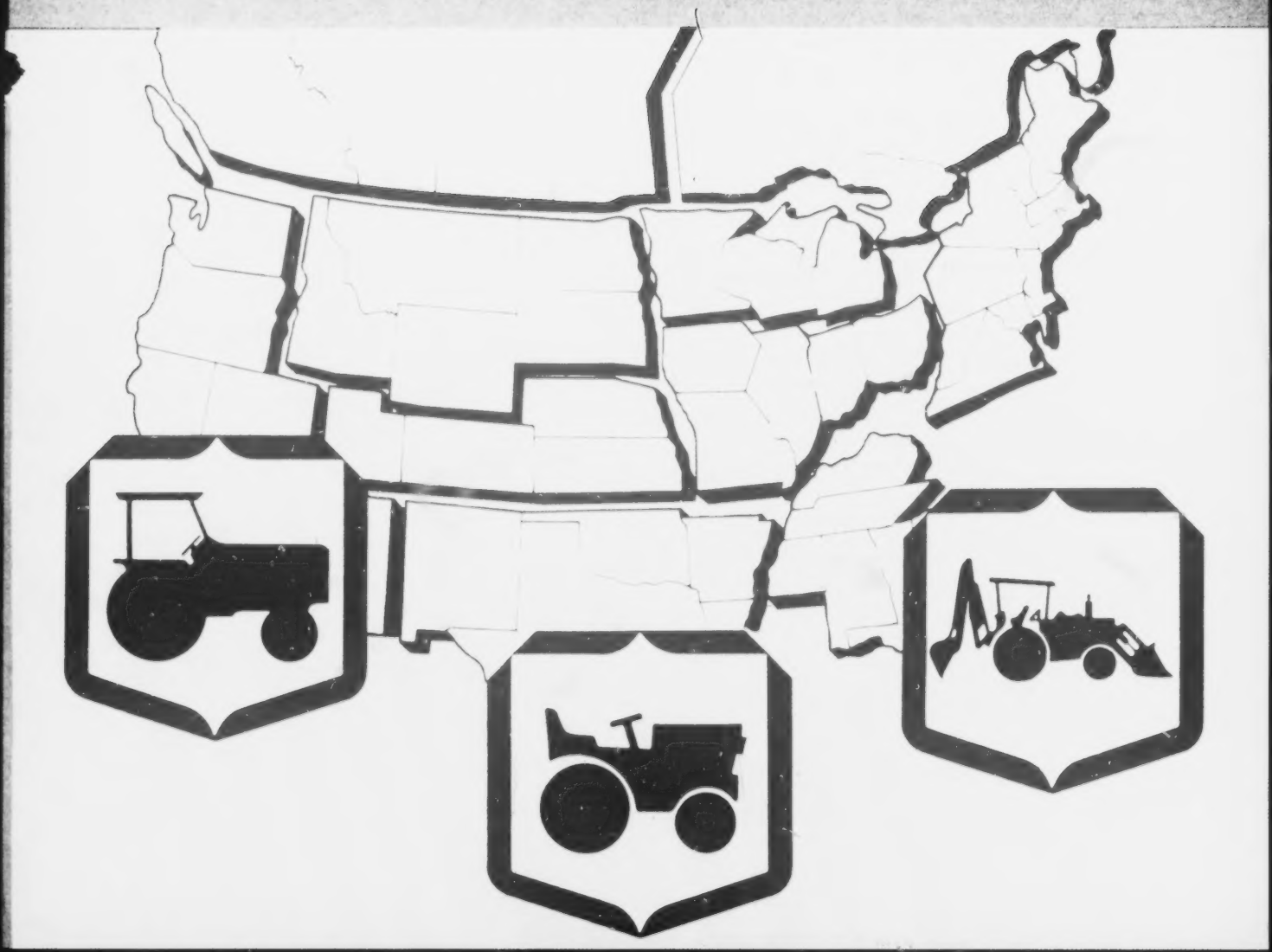
Price $25.00

1989 Equipment Dealers Cost of Doing Business



Sales • Margins • Expenses • Net Profit • Financial Ratios
Balance Sheet Data • Employee Studies

North American Equipment Dealers Association

Serving Farm, Industrial and Outdoor Power Dealers

— Foreword —

The annual Cost of Doing Business Surveys are conducted by direct mailings of questionnaires to dealer-members throughout the United States and Canada. The mailing in the current year was made to approximately 7,500 dealers. Hundreds of dealers responded to the survey, some filling out the questionnaire forms and many others furnishing computer printouts of year-end reports. This publication is made possible only through the cooperation of these dealers and their bookkeepers who took time out of busy schedules to compile the information.

Questionnaires used in the survey conform to the five industry accounting systems, Case-International, Deere, Ford, Massey-Ferguson and the Association "FER-500" and were designed to secure significant information on departmental sales and margins, a breakdown of dealer expenses and balance sheet and employee data. Approximately half of the responding dealers submitted information on the questionnaire forms, and others sent computer printouts or regular financial statements.

The number of members and participants in each of the ten North American regions (identified on the front cover) are tabulated below:

Region	No. of Dealer Members	No. of Dealer Participants	Percent of Dealer Participation
Northeast	976	102	10.45%
Southeast	882	88	9.98
Corn Belt	1631	216	13.24
Lake States	920	144	15.65
Northern Plains	477	84	17.61
Middle Plains	613	97	15.82
Southern Plains Delta	590	90	15.25
Pacific	329	58	17.63
Western Canada	484	74	15.29
Eastern Canada	436	54	12.39
Total	**7338**	**1,007**	**13.72**

Dealer Participants by Sales Volume Category (Agricultural Dealers)

Sales Volume	No. of Dealer Members	Percent of Total				
	1989	1989	1988	1987	1986	1985
$0 to $1 Million	97	11%	13%	17%	22%	19%
$1 Mil to $2 Mil	231	26	32	27	343	8
$2 Mil to $3 Mil	174	19	22	22	21	21
$3 Mil and Over	395	44	34	24	23	22

In addition to the above, 73 construction/industrial dealers and 39 outdoor power dealers responded to the survey. Combined total retail sales of dealers responding in the survey were in excess of 3 billion dollars.

Separate studies of agricultural, industrial and outdoor power dealers are included. Dealers are classified as agricultural, industrial or outdoor power if 50 percent or more of their equipment sales fit in one of these classes of goods.

Percentage Calculations

Percentages for margins and expenses are computed by dividing the dollar amount of each item by sales. Percentages shown in the balance sheet studies are in relation to Total Assets.

Operating percentages are important since they reflect the degree of operating efficiency regardless of size. These figures are the true test of performance and serve as a sound basis for accurate comparisons.

NOTE: Individual dealer financial and operating information is held in strictest confidence at the Association headquarters. All of the report editing is performed "in house" and completely tabulated on NAEDA's own computer system.

Highlights of 1989 Cost of Doing Business

North American Agricultural Dealer Averages

This year, agricultural dealers responded in great numbers to the 1989 Cost of Doing Business Survey. The ag survey returns increased from 778 in 1988, to 897 in 1989. This is an improvement of 18.3%.

Responses from Construction/Industrial and Outdoor Power Equipment dealers remained comparatively low at 73 in 1988 and 37 in 1989.

Dealership Profitability

A substantial increase in sales is seen by the dealers reporting in the 1989 Cost of Doing Business. Average per dealer advanced from $2,715,900 in 1988, to $3,283,400 in 1989. This is an increase of 21%.

For the fifth year in a row, there is an increase in the profit ratio on total sales. The average for 1989 is 2.56% compared to 2.36% for 1988. The same can be said for the important Return on Investment ratio which also increased in each of the past five years, going from 4.52% in 1984, to 13.85% in 1988 and 16.01% in 1989... finally surpassing the 1981 record of 15.36% ROI. This eight-year period has proved to be a long uphill battle!

Equipment Sales

Sales of agricultural equipment continue to climb. New and used sales combined are 24.0% higher in 1989 than the previous year. This gain is considerably better than the 16.5% shown in 1988. Most of the gain is in New Equipment where an increase of 23.2% occurred. Used Equipment sales are up 9.8% over the previous year.

Surprisingly, gross margins on sales of equipment have slipped below 1988. The result for 1989 is 7.87% for sales compared to 8.04% for the year earlier.

Parts and Service

For the third consecutive year, dealers show increases in sales of both parts and service. The increases are 14.0% for parts, which is about the same as the year before, and 14.2% for service, which is lower than 1988.

Gross margins on sales of parts slipped during 1989, dropping from 27.73% in 1988, to 27.65% in 1989. The trend of the past five years has been a gradual erosion in margins on parts, declining from 30.29% of sales in 1984. The decline has taken place during each of the five years. Margins for service have remained at approximately the same level during the past few years.

Total Operating Margin and Overhead

With the slippage of margins for all three of the main segments of the business, Sales, Parts and Service, the result is the same for overall business... a decline from the previous year. Total margins went from 16.02% in 1988, to 15.39% in 1989.

Where dealers are able to hold overhead in line while margins are deteriorating, the "bottom line" can show improvement. This is what happened in 1989. Total Expenses are 15.11% of sales compared to 15.98% in the year prior. This slight improvement resulted in an increase in net profit from 2.36% in 1988, to 2.56% in 1989.

Profitability vs. Sales Volume Size results of studies made in recent years prove conclusively that the higher the dealership sales volume in farm implements and tractors:

- the lower the percentage of margin on sales
- the lower the percentage of expense to sales
- the higher the return on net worth
- the lower the ratio of equity to Total Assets

Usually, the net profit ratio to sales is also higher for the larger volume dealers.

Interest Expense

Still no appreciable relief is in sight for dealers in the cost of borrowing and the financing of inventories. The average dealer showed only slight improvement in this item of expense. Interest expense in 1988 was 1.00% of Total Sales and this year the figure declined only slightly to 0.93%. It has hovered near 1% of sales for the past three years, showing only slight variations.

Here again, the larger dealers fare better than the smaller dealers on the cost of financing. The larger the sales volume, the less the percentage ratio to Total Sales. In 1989, the range of percent to Total Sales was from 1.41% of sales to 0.88% for dealers in Volume Groups "A" to "D", respectively.

Salaries and Wages

Total salaries and wages paid to dealership personnel, excluding production mechanics (whose wages are included in Cost of Sales), was 5.66% of sales in 1988 as compared to 5.85% a year ago.

The total salary/benefit package, which includes salaries, wages and fringe benefits (such as group insurance, payroll taxes, sick leave and holidays), amounted to 7.26% of sales in 1989, down from 7.80% the year before. The trend in recent years has been downward: 1986 - 7.80%; 1987 - 7.66; 1988 - 7.56.

Highlights of 1989 Cost of Doing Business

North American Agricultural Dealer Averages

The Balance Sheet

Changes occurring in important categories of the average dealer balance sheet are almost imperceptible. Inventories, indebtedness and ownership equity stayed at about the same levels as the year previous. The ratio of Ownership Equity to Total Assets vary within the four volume groups, establishing no pattern of significance. The overall average ownership was 28.62% of Total Assets (or 71.38% was outside capital).

Industrial & Outdoor Power Equipment Dealers

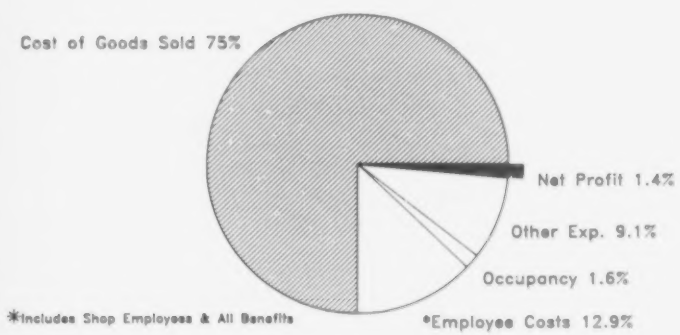
Approximately 89% of the responses to the 1989 Cost of Doing Business came from dealers engaged primarily in the sales of agricultural equipment and with a sideline of outdoor power equipment. Approximately 7% are dealers engaged primarily in the sale of construction/industrial tractors and equipment, and 4% indicated they are primarily engaged in the outdoor power equipment business.

Unfortunately, the few responses received from industrial and outdoor power equipment dealers rendered it impossible to tabulate volume group and regional studies. Also, the number of responses falls far short of the requirements for a statistically accurate national study. Nevertheless, the national averages are presented, for whatever interest or value they have, on pages six and seven.

All of the returns were tabulated according to the type of equipment which they reported to be the main business of the dealership. Dealerships showing 50% or more of their business in a certain category (agricultural, industrial or outdoor power) were tabulated within that category.

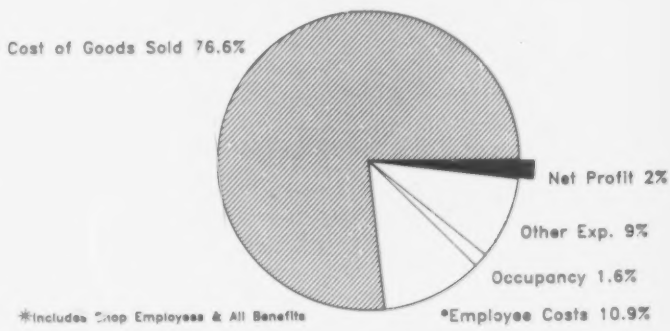
Results for all agricultural dealers in North America by volume size are on pages eight and nine.

CONSTRUCTION/INDUSTRIAL/UTILITY DEALERS



Distribution of Gross Revenue

OUTDOOR POWER EQUIPMENT DEALERS



Distribution of Gross Revenue

FIG. 1
DEALER TOTAL SALES TRENDS

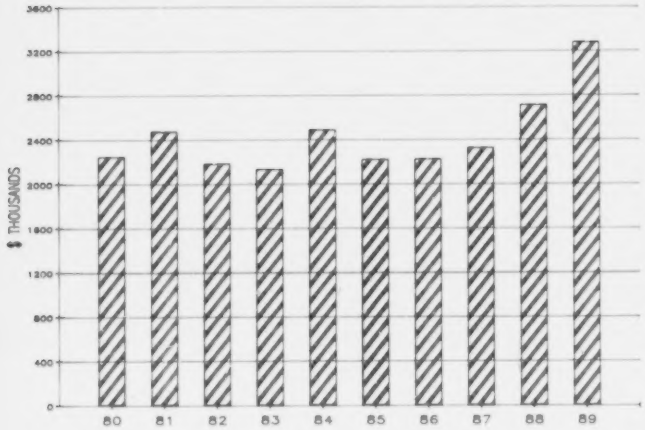


FIG. 2
DEALER MARGIN, EXPENSE & PROFIT TRENDS

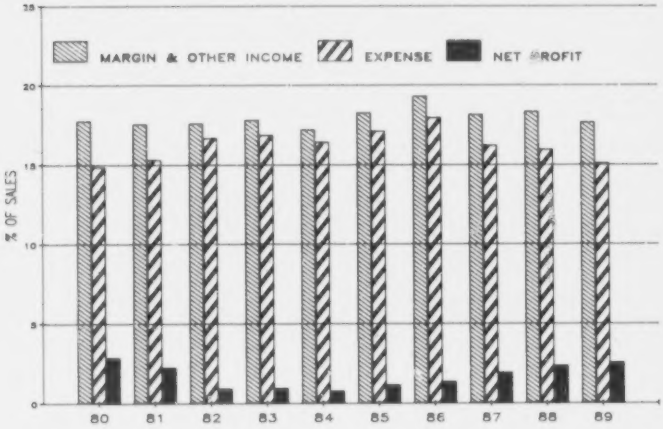


FIG. 3
NEW AND USED EQUIPMENT SALES TRENDS

FIG. 4
PARTS-SERVICE-OTHER SALES TRENDS

FIG. 5
NEW AND USED EQUIPMENT MARGIN TRENDS

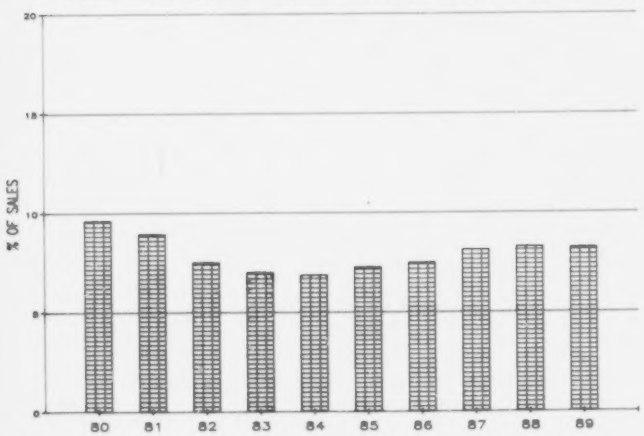
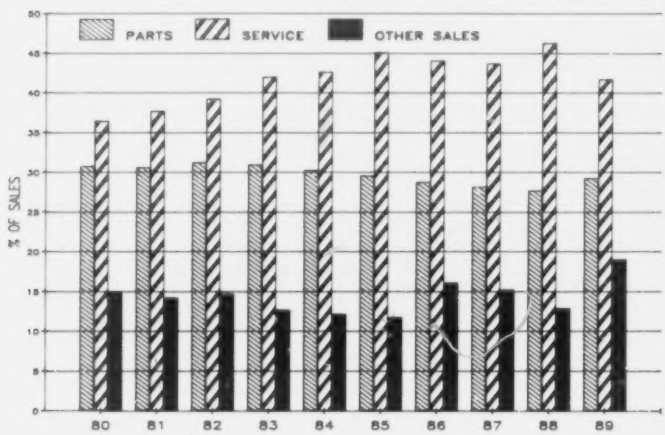


FIG. 6
PARTS-SERVICE-OTHER MARGIN TRENDS



All Dealers
Agricultural - Industrial - Outdoor Power
Operating Data

	AGRICULTURAL DEALERS		INDUSTRIAL DEALERS		OUTDOOR POWER DEALERS	
	Amount	% Sales	Amount	% Sales	Amount	% Sales
SALES						
New Equipment	$1,567,130	47.73	$2,509,213	50.86	$1,230,160	58.13
Used Equipment	634,948	19.34	607,661	12.32	274,300	12.96
Total New and Used	**2,202,078**	**67.07**	**3,116,874**	**63.17**	**1,504,460**	**71.09**
Repair Parts	718,091	21.87	975,664	19.77	375,682	17.75
Service Labor	252,272	7.68	424,866	8.61	132,510	6.26
Other Lines	79,939	2.43	37,211	0.75	96,708	4.57
Rental Lease Income	31,038	0.95	379,241	7.69	7,011	0.33
TOTAL SALES	**3,283,418**	**100.00**	**4,933,856**	**100.00**	**2,116,371**	**100.00**
MARGINS						
New Equipment	122,244	7.80	271,388	10.82	200,531	16.30
Used Equipment	50,994	8.03	85,888	14.13	29,722	10.84
Total New and Used	**173,238**	**7.87**	**357,276**	**11.46**	**230,253**	**15.30**
Repair Parts	198,548	27.65	283,731	29.08	108,559	28.90
Service Labor	111,681	44.27	187,969	44.24	51,451	38.83
Other Lines	11,004	13.77	13,917	37.40	21,505	22.24
Rental Lease Income	10,937	35.24	119,489	31.51	4,826	68.83
TOTAL OPERATING MARGIN	**505,408**	**15.39**	**962,382**	**19.51**	**416,594**	**19.68**
EXPENSES						
Salaries - Salesmen	49,973	1.52	116,904	2.37	43,473	2.05
Travel and Training	7,299	0.22	19,346	0.39	7,678	0.36
Advertising and Promotion	22,627	0.69	39,010	0.79	26,263	1.24
After Sales and Warranty Exp.	18,087	0.55	27,005	0.55	7,681	0.36
TOTAL SALES EXPENSE	**97,986**	**2.98**	**202,265**	**4.10**	**85,095**	**4.02**
Salaries - Officers, Owners	53,883	1.64	99,578	2.02	36,269	1.71
Salaries - Partsmen	50,740	1.55	75,754	1.54	37,831	1.79
Salaries Office and Others	31,164	0.95	54,239	1.10	23,628	1.12
Occupancy Expense	43,043	1.31	79,228	1.61	32,851	1.55
Heat, Light, Power, Water	9,991	0.30	15,488	0.31	8,283	0.39
Telephone and Telegraph	9,765	0.30	20,077	0.41	7,373	0.35
Office and Store Exp. & Postage	10,566	0.32	22,186	0.45	9,178	0.43
Computer Expense	8,155	0.25	10,683	0.22	3,904	0.18
Shop Supplies and Expense	12,797	0.39	20,335	0.41	6,360	0.30
Car and Truck Expense	25,343	0.77	44,832	0.91	16,218	0.77
Taxes Except Payroll & Real Estate	5,017	0.15	10,568	0.21	6,301	0.30
Employee Benefits	52,492	1.60	103,701	2.10	36,934	1.75
Dues and Subscriptions	1,184	0.04	3,040	0.06	873	0.04
Insurance Except Group & R.E.	22,598	0.69	41,995	0.85	22,240	1.05
Legal and Auditing	4,856	0.15	11,724	0.24	6,004	0.28
Interest & Bank Chgs - Except R.E.	30,413	0.93	94,188	1.91	43,586	2.06
Depreciation	19,099	0.58	47,458	0.96	13,377	0.63
Bad Debts	4,723	0.14	12,573	0.25	2,418	0.11
Contributions and Miscellaneous	2,420	0.07	6,504	0.13	1,883	0.09
TOTAL EXPENSE	**496,235**	**15.11**	**976,416**	**19.79**	**400,606**	**18.93**
NET PROFIT ON SALES	**9,173**	**0.28**	**(14,034)**	**-0.28**	**15,988**	**0.76**
OTHER INCOME	**75,037**	**2.29**	**84,848**	**1.72**	**26,516**	**1.25**
NET OPERATING PROFIT OR LOSS (Before Income Taxes)	**84,210**	**2.56**	**70,814**	**1.44**	**42,504**	**2.01**

All Dealers
Agricultural - Industrial - Outdoor Power
Financial/Inventories/Personnel Data

BALANCE SHEET AVERAGES	AGRICULTURAL DEALERS Amount	% Total Assets	INDUSTRIAL DEALERS Amount	% Total Assets	OUTDOOR POWER DEALERS Amount	% Total Assets
ASSETS						
Cash and Securities	97,525	5.30	75,991	2.58	42,939	4.00
Customer Receivables	156,476	8.51	303,635	10.32	111,383	10.37
Factory Receivables & Other	32,206	1.75	37,848	1.29	23,246	2.17
TOTAL	**286,207**	**15.57**	**417,474**	**14.19**	**177,568**	**16.54**
INVENTORIES						
New Equipment	819,576	44.58	1,403,375	47.70	501,114	46.67
Used Equipment	237,908	12.94	232,750	7.91	110,737	10.31
Repair Parts	258,157	14.04	297,994	10.13	138,401	12.89
Other Lines	26,245	1.43	21,362	0.73	37,996	3.54
Rental or Lease	19,303	1.05	242,287	8.24	7,348	0.68
TOTAL INVENTORIES	**1,361,189**	**74.04**	**2,197,768**	**74.71**	**795,596**	**74.10**
TOTAL CURRENT ASSETS	**1,647,396**	**89.60**	**2,615,242**	**88.90**	**973,164**	**90.64**
Fixed Assets	145,507	7.91	232,651	7.91	77,695	7.24
Finance Reserve and Other Assets	45,656	2.48	94,008	3.20	22,832	2.13
TOTAL ASSETS	1,838,559	**100.00**	**2,941,901**	**100.00**	**1,073,691**	**100.00**
LIABILITIES AND NET WORTH						
Current Acts. Payable & Accruals	263,775		348,433		182,375	
Floor Plan Notes Payable	816,238		1,529,347		414,320	
Notes Payable - Bank and Other	85,822		182,852		100,985	
Long Term Payable	146,606		192,168		74,499	
TOTAL LIABILITIES	**1,312,441**	**71.38**	**2,252,800**	**76.58**	**772,179**	**71.92**
Net Worth	526,118	28.62	689,101	23.42	301,512	28.08
TOTAL LIABILITIES AND NET WORTH	**1,838,559**		**2,941,901**		**1,073,691**	
		TIMES TURN		**TIMES TURN**		**TIMES TURN**
INVENTORIES						
New Equipment	819,576	1.76	1,403,375	1.59	501,114	2.05
Used Equipment	237,908	2.45	232,750	2.24	110,737	2.21
Repair Parts	258,157	2.01	297,994	2.32	138,401	1.93
Other Lines	26,245	2.63	21,362	1.09	37,996	1.98
Rent or Lease	19,303	1.04	242,287	1.07	7,348	0.30
TOTAL INVENTORIES	**1,361,189**	**2.04**	**2,197,768**	**1.81**	**795,596**	**2.14**
EMPLOYEE AND SERVICE SHOP DATA						
No. of Employees*	14.50		21.50		12.20	
Sales per Employee	226,442		229,481		173,473	
Assets per Employee	126,797		136,832		88,007	
No. of Salesmen*	4.00		6.00		3.80	
New & Used Sales per S/M	550,519		519,479		395,910	
No. of Partmen	2.40		3.40		1.80	
Parts Sales per P/M	299,204		286,960		208,712	
No. of Servicemen	5.90		8.40		3.80	
Service Sales per Sv/M	42,757		50,579		34,871	
No. of Office Employees	1.60		2.70		1.50	
No. of Other Employees	0.60		1.00		1.30	
Hourly Wage - Top Mech	9.66		11.39		8.86	
Hourly Wage - Regular Mech	7.57		8.84		6.54	
Hourly Customer Svc Rate	28.31		34.41		28.42	

Agricultural Dealer Operations and Balance Sheets By Sales Volume Size

	VolGrp "A" $0-$1 Mil		VolGrp "B" $1 Mil-$2 Mil		VolGrp "C" $2 Mil-$3Mil		VolGrp "D" $3 Mil and Over	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	%Sales
SALES								
New Equipment	$294,786	41.39	$717,131	45.96	$1,170,981	47.03	$2,551,174	48.39
Used Equipment	87,371	12.27	244,649	15.68	447,309	17.96	1,080,322	20.49
Total New and Used	**382,157**	**53.66**	**961,780**	**61.63**	**1,618,290**	**64.99**	**3,631,496**	**68.88**
Repair Parts	251,121	35.26	446,988	28.64	623,914	25.06	1,032,794	19.59
Service Labor	70,487	9.90	124,157	7.96	201,594	8.10	394,160	7.48
Other Lines	5,918	0.83	17,642	1.13	35,385	1.42	154,174	2.92
Rental Lease Income	2,554	0.36	9,926	0.64	10,894	0.44	59,254	1.12
TOTAL SALES	**712,237**	**100.00**	**1,560,493**	**100.00**	**2,490,077**	**100.00**	**5,271,878**	**100.00**
MARGINS							3	0.03
New Equipment	34,360	11.66	71,886	10.02	101,316	8.65	182,496	7.15
Used Equipment	11,431	13.08	24,890	10.17	44,963	10.05	78,630	7.28
Total New and Used	**45,791**	**11.98**	**96,776**	**10.06**	**146,279**	**9.04**	**261,126**	**7.19**
Repair Parts	73,548	29.29	127,052	28.42	181,663	29.12	278,494	26.97
Service Labor	29,420	41.74	49,898	40.19	85,414	42.37	179,584	45.56
Other Lines	1,129	19.08	3,058	17.33	4,638	13.11	20,880	13.54
Rental Lease Income	1,884	73.77	5,028	50.65	5,091	46.73	19,192	32.39
TOTAL OPERATING MARGIN	**151,772**	**21.31**	**281,812**	**18.06**	**423,085**	**16.99**	**759,276**	**14.40**
EXPENSES							3	0.03
Salaries - Salesmen	12,151	1.71	23,992	1.54	35,990	1.45	80,614	1.53
Travel and Training	1,828	0.26	3,618	0.23	5,671	0.23	11,511	0.22
Advertising and Promotion	6,421	0.90	12,530	0.80	18,220	0.73	34,454	0.65
After Sales and Warranty Expense	2,406	0.34	6,000	0.38	12,655	0.51	31,399	0.60
TOTAL SALES EXPENSE	**22,806**	**3.20**	**46,140**	**2.96**	**72,536**	**2.91**	**157,978**	**3.00**
Salaries - Officers, Owners	16,561	2.33	30,824	1.98	45,279	1.82	80,324	1.52
Salaries - Partsmen	16,397	2.30	31,259	2.00	42,099	1.69	74,372	1.41
Salaries Office and Others	10,492	1.47	18,066	1.16	24,283	0.98	46,932	0.89
Occupancy Expense	13,913	1.95	23,060	1.48	35,073	1.41	65,393	1.24
Heat, Light, Power, Water	4,363	0.61	6,452	0.41	8,566	0.34	14,071	0.27
Telephone and Telegraph	3,061	0.43	5,358	0.34	8,000	0.32	14,766	0.28
Office and Store Expense and Postage	3,568	0.50	6,336	0.41	9,540	0.38	15,210	0.29
Computer Expense	2,364	0.33	5,515	0.35	7,971	0.32	11,202	0.21
Shop Supplies and Expense	4,186	0.59	7,441	0.48	10,451	0.42	19,076	0.36
Car and Truck Expense	7,752	1.09	13,968	0.90	19,617	0.79	38,838	0.74
Taxes - Except Payroll & Real Estate	2,144	0.30	3,066	0.20	4,624	0.19	7,036	0.13
Employee Benefits	15,453	2.17	29,402	1.88	47,493	1.91	77,292	1.47
Dues and Subscriptions	538	0.08	813	0.05	997	0.04	1,642	0.03
Insurance - Except Group & R.E.	11,292	1.59	15,853	1.02	20,992	0.84	30,026	0.57
Legal and Auditing	1,988	0.28	3,140	0.20	3,727	0.15	7,061	0.13
Interest & Bank Chgs - Except R.E.	10,078	1.41	17,532	1.12	22,769	0.91	46,308	0.88
Depreciation	5,229	0.73	9,837	0.63	15,692	0.63	29,422	0.56
Bad Debts	1,738	0.24	3,499	0.22	3,812	0.15	6,572	0.12
Contributions and Miscellaneous	822	0.12	1,329	0.09	2,167	0.09	3,561	0.07
TOTAL EXPENSE	**154,745**	**21.73**	**278,890**	**17.8**	**405,688**	**16.29**	**747,082**	**14.17**
NET PROFIT ON SALES	**(2,973)**	**-0.42**	**2,922**	**0.19**	**17,397**	**0.70**	**12,194**	**0.23**
OTHER INCOME	**15,095**	**2.12**	**39,604**	**2.54**	**54,081**	**2.17**	**119,711**	**2.27**
NET OPERATING PROFIT OR LOSS (Before Income Taxes)	**12,122**	**1.70**	**42,526**	**2.73**	**71,478**	**2.87**	**131,905**	**2.50**
ASSETS	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
Cash and Securities	$43,141	8.43	$69,033	6.80	$99,914	6.75	$126,490	4.51
Customer Receivables	44,391	8.67	71,364	7.02	124,323	8.40	247,938	8.84
Factory Receivables & Other	3,173	0.62	10,469	1.03	24,247	1.64	55,553	1.98
TOTAL	**90,705**	**17.72**	**150,866**	**14.85**	**248,484**	**16.79**	**429,981**	**15.34**
INVENTORIES								
New Equipment	189,913	37.10	459,871	45.27	665,198	44.94	1,252,565	44.68
Used Equipment	68,574	13.40	108,603	10.69	171,675	11.60	384,285	13.71
Repair Parts	102,326	19.99	170,450	16.78	240,723	16.26	355,396	12.68
Other Lines	3,890	0.76	8,971	0.88	16,166	1.09	46,276	1.65
Rental or Lease	1,124	0.22	6,276	0.62	3,201	0.22	38,479	1.37
TOTAL INVENTORIES	**365,827**	**71.47**	**754,171**	**74.24**	**1,096,963**	**74.12**	**2,077,001**	**74.09**
TOTAL CURRENT ASSETS	**456,532**	**89.19**	**905,037**	**89.09**	**1,345,447**	**90.90**	**2,506,982**	**89.43**
Fixed Assets	48,319	9.44	90,618	8.92	110,343	7.46	216,964	7.74
Finance Reserve and Other Assets	7,025	1.37	20,252	1.99	24,284	1.64	79,415	2.83
TOTAL ASSETS	**511,876**	**100.00**	**1,015,907**	**100.00**	**1,480,074**	**100.00**	**2,803,361**	**100.00**
LIABILITIES AND NET WORTH								
Current Accounts Payable and Accruals	53,318		133,970		170,079		432,642	
Floor Plan Notes Payable	176,639		387,177		653,605		1,295,864	
Notes Payable - Bank and Other	37,107		47,064		66,720		128,864	
Long Term Payable	49,501		88,912		109,223		220,660	
TOTAL LIABILITIES	**316,565**	**61.84**	**657,123**	**64.68**	**999,627**	**67.54**	**2,078,030**	**74.13**
Net Worth	195,311	38.16	358,784	35.32	480,447	32.46	725,331	25.87
TOTAL LIABILITIES AND NET WORTH	**511,876**		**1,015,907**		1,480,074		**2,803,361**	

Agricultural Dealers
Employee and Service Data/Inventory Turns
By Sales Volume Size

	VolGrp "A" $0-$1 Mil Amount		VolGrp "B" $1 Mil-$2 Mil Amount		VolGrp "C" $2 Mil-$3Mil Amount		VolGrp "D" $3 Mil and Over Amount	
Employee and Service Shop Data								
No. of Employees*	6.30		9.90		12.90		20.30	
Sales per Employee	116,590		159,296		196,186		250,583	
Assets per Employee	76,680		108,563		111,202		137,686	
No. of Salesmen*	2.40		3.50		3.40		5.70	
New & Used Sales per S/M	156,691		282,427		504,466		626,905	
No. of Partmen	0.70		1.70		2.20		3.10	
Parts Sales per P/M	387,840		260,384		265,372		312,599	
No. of Servicemen	2.30		3.50		5.40		8.70	
Service Sales per Sv/M	36,283		38,402		39,334		46,473	
No. of Office Employees	0.90		1.00		1.40		2.10	
No. of Other Employees	0.00		0.20		0.50		0.70	
Hourly Wage - Top Mech	8.20		8.54		8.39		9.20	
Hourly Wage - Regular Mech	5.94		6.66		6.72		7.23	
Hourly Customer Svc Rate	22.81		25.26		25.94		28.23	
INVENTORIES		**TIMES TURN**		**TIMES TURN**		**TIMES TURN**		**TIMES TURN**
New Equipment	189,913	1.37	459,871	1.40	665,198	1.61	1,252,565	1.89
Used Equipment	68,574	1.11	108,603	2.02	171,675	2.34	384,285	2.61
Repair Parts	102,326	1.74	170,450	1.88	240,723	1.84	355,396	2.12
Other Lines	3,890	1.23	8,971	1.63	16,166	1.90	46,276	2.88
Rent or Lease	1,124	0.60	6,276	0.78	3,201	1.81	38,479	1.04
TOTAL INVENTORIES	**365,827**	**1.53**	**754,171**	**1.70**	**1,096,963**	**1.88**	**2,077,001**	**2.17**

A Study of Successful Dealers of 1989

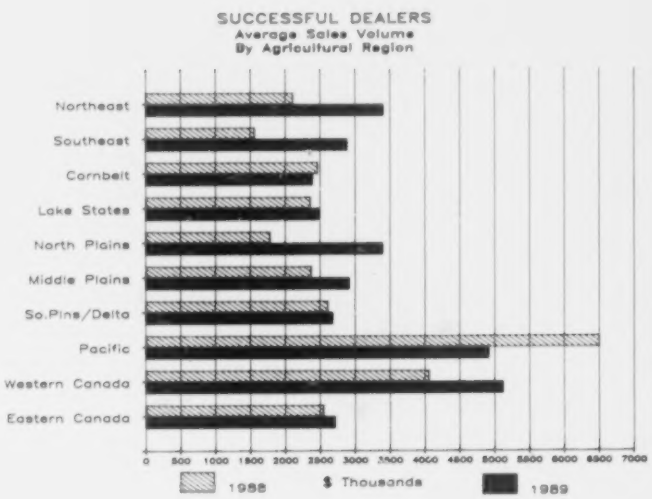
Dealers who were in the top 25% in profitability in 1989 have again been selected for special study and analysis. While there is no way of determining HOW these dealers managed their businesses to earn approximately 5% on sales and 25% on their investment, the following common-size operating statements and balance sheets tell WHAT their accomplishments were.

These tables are provided so all dealers participating in the 1989 Cost of Doing Business Study will have an opportunity to compare their figures with the averages of the "best in the business," by agricultural region. The regions are identified on the map of North America appearing on the front cover.

A study of the graphs, one of which appears on this page, shows the wide differences between the ten regions of North America in area of sales volume, percentage of margins, expenses, profits and return on investment.

Only one region in the U.S., the Northern Plains region, had less than 5% net profit on sales in 1989, and they were close at 4.72%. Only three regions out of ten, Corn Belt, Northern Plains and Pacific, showed less than 25% return on investment.

Successful dealers in the Western Canada region had 4.62% profit on sales, while those in Eastern Canada had 5.63%. The 1989 return on investment of 44.32% for Western Canada dealers was outstanding.



Successful Dealers of 1989

Agricultural Dealer Operations and Balance Sheets By Region

	Northeast		Southeast		Corn Belt		Lake States	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
SALES								
New Equipment	$1,879,770	55.06	$1,594,666	55.02	$1,139,902	47.46	$1,123,858	45.21
Used Equipment	429,152	12.57	392,088	13.53	515,301	21.46	469,745	18.90
Total New and Used	**2,308,922**	**67.62**	**1,986,754**	**68.55**	**1,655,203**	**68.92**	**1,593,603**	**64.11**
Repair Parts	800,167	23.44	738,944	25.50	539,415	22.46	539,216	21.69
Service Labor	286,780	8.40	160,944	5.55	193,137	8.04	203,319	8.18
Other Lines	2,269	0.07	7,804	0.27	3,421	0.14	130,003	5.23
Rental Lease Income	16,188	0.47	3,811	0.13	10,558	0.44	19,734	0.79
TOTAL SALES	**3,414,326**	**100.00**	**2,898,257**	**100.00**	**2,401,734**	**100.00**	**2,485,875**	**100.00**
MARGINS								
New Equipment	229,051	12.19	171,041	10.73	109,159	9.58	94,589	8.42
Used Equipment	74,091	17.26	56,040	14.29	48,439	9.40	59,679	12.70
Total New and Used	**303,142**	**13.13**	**227,081**	**11.43**	**157,598**	**9.52**	**154,268**	**9.68**
Repair Parts	232,409	29.05	206,275	27.91	158,926	29.46	156,782	29.08
Service Labor	143,520	50.05	68,150	42.34	96,282	49.85	99,520	48.95
Other Lines	313	13.79	2,572	32.96	561	16.40	16,865	12.97
Rental Lease Income	7,335	45.31	3,274	85.91	7,702	72.95	15,998	81.07
TOTAL OPERATING MARGIN	**686,719**	**20.11**	**507,352**	**17.51**	**421,069**	**17.53**	**443,433**	17.84
EXPENSES								
Salaries - Salesmen	55,350	1.62	32,252	1.11	34,583	1.44	33,990	1.37
Travel and Training	7,131	0.21	4,633	0.16	3,726	0.16	5,039	0.20
Advertising and Promotion	26,373	0.77	11,275	0.39	17,539	0.73	16,379	0.66
After Sales and Warranty Expense	16,864	0.49	13,255	0.46	12,399	0.52	9,063	0.36
TOTAL SALES EXPENSE	**105,718**	**3.10**	**61,415**	**2.12**	**68,247**	**2.84**	**64,471**	**2.59**
Salaries - Officers, Owners	43,086	1.26	56,000	1.93	38,385	1.60	47,510	1.91
Salaries - Partsmen	64,749	1.90	45,838	1.58	32,552	1.36	39,432	1.59
Salaries Office and Others	31,900	0.93	22,049	0.76	20,764	0.86	15,627	0.63
Occupancy Expense	46,784	1.37	33,045	1.14	25,404	1.06	40,546	1.63
Heat, Light, Power, Water	9,203	0.27	7,536	0.26	7,857	0.33	7,922	0.32
Telephone and Telegraph	10,282	0.30	9,449	0.33	5,986	0.25	6,143	0.25
Office and Store Expense and Postage	12,037	0.35	7,693	0.27	7,551	0.31	7,692	0.31
Computer Expense	11,062	0.32	7,693	0.27	4,631	0.19	4,054	0.16
Shop Supplies and Expense	10,057	0.29	9,840	0.34	10,521	0.44	8,225	0.33
Car and Truck Expense	27,920	0.82	17,115	0.59	18,336	0.76	17,822	0.72
Taxes - Except Payroll & Real Estate	8,903	0.26	3,946	0.14	2,424	0.10	3,009	0.12
Employee Benefits	54,644	1.60	44,612	1.54	34,333	1.43	41,644	1.68
Dues and Subscriptions	841	0.02	1,926	0.07	796	0.03	823	0.03
Insurance - Except Group & R.E	30,537	0.89	21,245	0.73	21,477	0.89	18,505	0.74
Legal and Auditing	4,530	0.13	3,077	0.11	2,659	0.11	4,294	0.17
Interest & Bank Chgs - Except R.E.	22,782	0.67	15,207	0.52	14,237	0.59	16,158	0.65
Depreciation	18,281	0.54	18,798	0.65	11,156	0.46	11,731	0.47
Bad Debts	3,665	0.11	3,312	0.11	2,079	0.09	2,499	0.10
Contributions and Miscellaneous	1,446	0.04	2,297	0.08	1,741	0.07	962	0.04
TOTAL EXPENSE	**518,427**	**15.18**	**392,093**	**13.53**	**331,136**	**13.79**	**359,069**	**14.44**
NET PROFIT ON SALES	**168,292**	**4.93**	**115,259**	**3.98**	**89,933**	**3.74**	**84,364**	**3.39**
OTHER INCOME	**76,220**	2.23	**73,129**	**2.52**	**37,004**	**1.54**	**40,995**	**1.65**
NET OPERATING PROFIT OR LOSS (Before Income Taxes)	**244,512**	**7.16**	**188,388**	**6.50**	**126,937**	**5.29**	**125,359**	**5.04**
	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
ASSETS								
Cash and Securities	$146,381	7.86	$242,281	13.88	$107,817	7.41	$99,128	7.65
Customer Receivables	179,313	9.63	210,390	12.05	127,009	8.73	94,966	7.33
Factory Receivables & Other	21,041	1.13	41,148	2.36	15,155	1.04	8,159	0.63
TOTAL RECEIVABLES & OTHER	**346,735**	**18.63**	**493,819**	**28.28**	**249,981**	**17.19**	**202,253**	**15.61**
INVENTORIES								
New Equipment	918,937	49.37	780,732	44.71	672,844	46.27	592,243	45.71
Used Equipment	148,641	7.99	119,627	6.85	171,391	11.79	173,138	13.36
Repair Parts	220,841	11.86	201,161	11.52	205,641	14.14	173,045	13.36
Other Lines	45,516	2.45	15,238	0.87	15,837	1.09	26,511	2.05
Rental or Lease	8,550	0.46	4,363	0.25	2,709	0.19	2,908	0.22
TOTAL INVENTORIES	**1,342,485**	**72.12**	**1,121,121**	**64.21**	**1,068,422**	**73.47**	**967,845**	**74.70**
TOTAL CURRENT ASSETS	**1,689,220**	**90.75**	**1,614,940**	**92.49**	**1,318,403**	**90.67**	**1,170,098**	**90.31**
Fixed Assets	129,911	6.98	104,009	5.96	115,835	7.97	110,582	8.53
Finance Reserve and Other Assets	42,252	2.27	27,142	1.55	19,894	1.37	15,019	1.16
TOTAL ASSETS	**1,861,383**	**100.00**	**1,746,091**	**100.00**	**1,454,132**	**100.00**	**1,295,699**	**100.00**
LIABILITIES AND NET WORTH								
Current Accounts Payable and Accruals	170,977		175,580		110,435		236,862	
Floor Plan Notes Payable	863,696		809,731		667,341		493,158	
Notes Payable - Bank and Other	102,511		29,398		27,040		60,027	
Long Term Payable	86,376		113,624		100,675		70,810	
TOTAL LIABILITIES	**1,223,560**	**65.73**	**1,128,333**	**64.62**	**905,491**	**62.27**	**860,857**	**66.44**
Net Worth	637,823	34.27	617,758	35.38	548,641	37.73	434,842	33.56
TOTAL LIABILITIES & NET WORTH	**1,861,383**		**1,746,091**		**1,454,132**		**1,295,699**	

Successful Dealers of 1989

Agricultural Dealer Operations and Balance Sheets By Region

Northern Plains		Middle Plains		Southern Plains/Delta		Pacific		Western Canada		Eastern Canada	
Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
$1,450,250	42.56	$1,380,245	47.15	$1,082,453	40.24	$2,295,956	46.58	$2,523,901	49.18	$1,397,586	51.34
703,622	20.65	557,973	19.06	350,972	13.05	517,119	10.49	1,512,415	29.47	520,856	19.13
2,153,872	**63.21**	**1,938,218**	**66.21**	**1,433,425**	**53.29**	**2,813,075**	**57.07**	**4,036,316**	**78.64**	**1,918,442**	**70.47**
852,131	25.01	654,712	22.37	763,113	28.37	1,232,198	25.00	732,745	14.28	553,681	20.34
278,843	8.18	205,030	7.00	306,480	11.39	600,263	12.18	297,432	5.80	218,038	8.01
74,869	2.20	16,296	0.56	70,220	2.61	182,708	3.71	53,362	1.04	0	0.00
47,924	1.41	113,026	3.86	116,669	4.34	100,547	2.04	12,627	0.25	32,224	1.18
3,407,639	**100.00**	**2,927,282**	**100.00**	**2,689,907**	**100.00**	**4,928,791**	**100.00**	**5,132,482**	**100.00**	**2,722,385**	**100.00**
127,142	8.77	134,820	9.77	112,692	10.41	292,144	12.72	168,369	6.67	138,358	9.90
85,841	12.20	83,920	15.04	46,332	13.20	49,956	9.66	167,034	11.04	49,074	9.42
212,983	**9.89**	**218,740**	**11.29**	**159,024**	**11.09**	**342,100**	**12.16**	**335,403**	**8.31**	**187,432**	**9.77**
234,159	27.48	198,104	30.26	220,430	28.89	367,269	29.81	200,770	27.40	167,027	30.17
145,422	52.15	85,309	41.61	32,185	26.82	295,904	49.30	129,489	43.54	94,344	43.27
9,531	12.73	5,194	31.87	19,372	27.59	62,859	34.40	10,652	19.96	0	0.00
14,482	30.22	24,303	21.50	14,665	12.57	35,058	34.87	12,624	99.96	20,836	64.66
616,577	**18.09**	**531,650**	**18.16**	**495,676**	**18.43**	**1,103,190**	**22.38**	**688,938**	**13.42**	**469,639**	**17.25**
54,663	1.60	44,848	1.53	33,903	1.26	79,129	1.61	58,128	1.13	35,776	1.31
8,902	0.26	6,661	0.23	7,056	0.26	11,789	0.24	9,480	0.18	7,602	0.28
21,320	0.63	16,836	0.58	9,058	0.34	37,454	0.76	29,963	0.58	22,362	0.82
11,812	0.35	10,065	0.34	20,181	0.75	33,381	0.68	22,488	0.44	7,932	0.29
96,697	**2.84**	**78,410**	**2.68**	**70,198**	**2.61**	**161,753**	**3.28**	**120,059**	**2.34**	**73,672**	**2.71**
66,145	1.94	47,169	1.61	46,953	1.75	85,037	1.73	68,175	1.33	40,589	1.49
52,197	1.53	44,006	1.50	37,072	1.38	83,662	1.70	51,278	1.00	41,298	1.52
29,341	0.86	23,632	0.81	24,973	0.93	47,284	0.96	38,225	0.74	24,650	0.91
45,435	1.33	29,407	1.00	41,245	1.53	68,522	1.39	64,122	1.25	38,361	1.41
9,294	0.27	7,714	0.26	8,567	0.32	16,437	0.33	11,990	0.23	9,010	0.33
12,144	0.36	7,241	0.25	7,701	0.29	14,639	0.30	15,193	0.30	10,565	0.39
15,859	0.47	9,159	0.31	8,755	0.33	13,887	0.28	10,851	0.21	12,217	0.45
8,198	0.24	7,189	0.25	7,500	0.28	10,186	0.21	8,185	0.16	6,367	0.23
14,576	0.43	11,006	0.38	8,651	0.32	34,832	0.71	13,547	0.26	13,553	0.50
33,784	0.99	17,495	0.60	16,044	0.60	48,224	0.98	30,918	0.60	24,813	0.91
4,005	0.12	4,982	0.17	4,188	0.16	15,774	0.32	5,341	0.10	1,514	0.06
59,419	1.74	46,004	1.57	45,858	1.70	126,764	2.57	29,774	0.58	23,198	0.85
1,116	0.03	826	0.03	1,952	0.07	2,108	0.04	862	0.02	486	0.02
20,605	0.60	22,903	0.78	20,713	0.77	41,068	0.83	14,035	0.27	9,668	0.36
3,490	0.10	4,625	0.16	3,138	0.12	9,108	0.18	8,147	0.16	4,477	0.16
33,669	0.99	16,430	0.56	13,785	0.51	47,853	0.97	26,863	0.52	29,062	1.07
11,328	0.33	15,408	0.53	11,677	0.43	39,848	0.81	17,324	0.34	18,013	0.66
3,695	0.11	4,790	0.16	3,247	0.12	5,381	0.11	3,276	0.06	2,380	0.09
4,702	0.14	2,671	0.09	1,851	0.07	3,181	0.06	2,292	0.04	1,477	0.05
525,699	**15.43**	**401,067**	**13.70**	**384,068**	**14.28**	**875,548**	**17.76**	**540,457**	**10.53**	**385,370**	**14.16**
90,878	**2.67**	**130,583**	**4.46**	**111,608**	**4.15**	**227,642**	**4.62**	**148,481**	**2.89**	**84,269**	**3.10**
70,098	**2.06**	**45,773**	**1.56**	**44,986**	**1.67**	**66,282**	**1.34**	**88,893**	**1.73**	**68,904**	**2.53**
160,976	**4.72**	**176,356**	**6.02**	**156,594**	**5.82**	**293,924**	**5.96**	**237,374**	**4.62**	**153,173**	**5.63**
Amount	% Total Assets	Amount	% Total Assest	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
$97,127	4.22	$154,033	10.20	$81,151	5.91	$259,914	8.98	$95,558	3.83	$20,071	1.17
152,419	6.63	138,013	9.13	182,811	13.31	574,361	19.85	141,932	5.69	120,370	7.00
44,738	1.94	18,369	1.22	98,181	7.15	19,868	0.69	49,653	1.99	10,660	0.62
294,284	**12.79**	**310,415**	**20.55**	**362,143**	**26.37**	**854,143**	**29.51**	**287,143**	**11.52**	**151,101**	**8.78**
1,132,363	49.22	581,001	38.46	571,913	41.65	1,203,493	41.59	1,060,088	42.52	861,408	50.06
285,389	12.41	202,021	13.37	105,162	7.66	142,984	4.94	568,765	22.81	278,885	16.21
349,613	15.20	221,522	14.66	228,031	16.60	406,334	14.04	335,488	13.46	247,795	14.40
38,892	1.69	13,741	0.91	8,584	0.63	53,854	1.86	22,987	0.92	8,630	0.50
19,565	0.85	0	0.00	806	0.06	5,402	0.19	5,239	0.21	7,288	0.42
1,825,822	**79.36**	**1,018,285**	**67.40**	**914,496**	**66.59**	**1,812,067**	**62.61**	**1,992,567**	**79.92**	**1,404,006**	**81.59**
2,120,106	**92.16**	**1,328,700**	**87.94**	**1,276,639**	**92.96**	**2,666,210**	**92.13**	**2,279,710**	**91.43**	**1,555,107**	**90.37**
164,734	7.16	130,522	8.64	70,759	5.15	182,328	6.30	177,378	7.11	151,853	8.82
15,730	0.68	51,614	3.42	25,906	1.89	45,464	1.57	36,172	1.45	13,784	0.80
2,300,570	**100.00**	**1,510,836**	**100.00**	**1,373,304**	**100.00**	**2,894,002**	**100.00**	**2,493,260**	**100.00**	**1,720,744**	**100.00**
200,354		205,271		94,855		234,233		335,885		192,558	
1,129,801		542,116		567,492		1,090,506		1,225,114		799,273	
2,778-		23,246		32,345		52,090		104,450		33,973	
167,749		173,138		121,006		240,714		292,207		107,318	
1,495,126	**64.99**	**943,771**	62.47	**815,698**	**59.40**	**1,617,543**	**55.89**	**1,957,656**	**78.52**	**1,133,122**	**65.85**
805,444	35.01	567,065	37.53	557,606	40.60	1,276,459	44.11	535,604	21.48	587,622	34.15
2,300,570		**1,510,836**		**1,373,304**		**2,894,002**		**2,493,260**		**1,720,744**	

Successful Dealers of 1989

Agricultural Dealers

Employee and Service Data/Inventory Turns - by Region

	Northeast	Southeast	Corn Belt	Lake States
Employee and Service Shop Data				
No. of Employees*	16.90	13.00	11.10	12.70
Sales per Employee	202,031	222,942	216,372	195,738
Assets per Employee	110,141	134,314	131,002	102,023
No. of Salesmen*	4.60	3.30	3.60	3.60
New & Used Sales per S/M	501,939	602,046	459,778	442,667
No. of Partsmen	2.90	2.60	1.80	2.00
Parts Sales per P/M	275,919	284,209	299,675	269,608
No. of Servicemen	7.40	5.00	4.30	5.40
Service Sales per Sv/M	38,754	32,188	44,915	37,651
No. of Office Employees	1.90	1.70	1.20	1.10
No. of Other Employees	0.10	0.40	0.20	0.60
Hourly Wages - Top Mech.	10.01	8.36	8.98	9.83
Hourly Wages - Regular Mech.	7.79	6.41	6.64	8.00
Hourly Customer Svc Rate	27.83	27.00	24.99	25.42

	Amount	Times Turn	Amount	Times Turn	Amount	Times Turn	Amount	Times Turn
INVENTORIES								
New Equipment	918,937	1.80	780,732	1.82	672,844	1.53	592,243	1.74
Used Equipment	148,641	2.39	119,627	2.81	171,391	2.72	173,138	2.37
Repair Parts	220,841	2.57	201,161	2.65	205,641	1.85	173,045	2.21
Other Lines	45,516	0.04	15,238	0.34	15,837	0.18	26,511	4.27
Rental or Lease	8,550	1.04	4,363	0.12	2,709	1.05	2,908	1.28
TOTAL INVENTORIES	**1,342,485**	**2.03**	**1,121,121**	**2.13**	**1,068,422**	**1.85**	**967,845**	**2.11**

Current Ratio				
Ownership Equity	34.27%	35.38%	37.73%	33.56%
Turnover of Total Assets	1.83 Times	1.66 Times	1.65 Times	1.92 Times
Return on Total Assets	13.14	10.79	8.73	9.68
Return on Net Worth	38.34	30.50	23.14	28.83

FIG. 7
SUCCESSFUL DEALERS
Average Gross Margins
By Agricultural Region

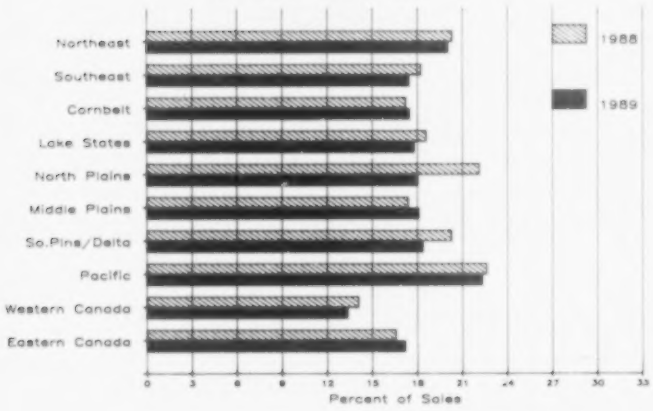
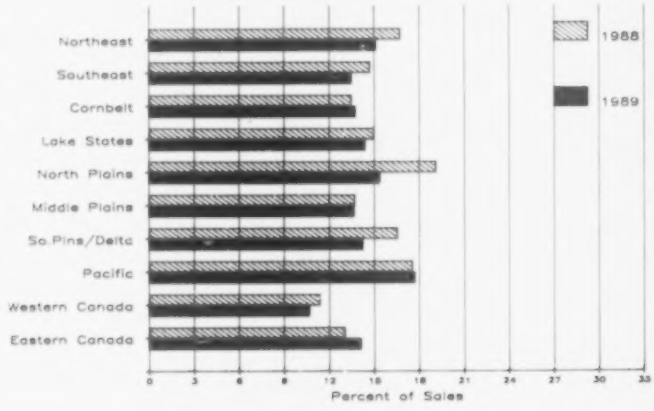


FIG. 8
SUCCESSFUL DEALERS
Average Expenses
By Agricultural Region



Successful Dealers of 1989

Agricultural Dealers

Employee and Service Data/Inventory Turns - by Region

Northern Plains		Middle Plains		Southern Plains/Delta		Pacific		Western Canada		Eastern Canada	
15.60		12.30		12.70		20.40		14.90		11.30	
218,438		237,990		211,803		241,607		344,461		240,919	
147,472		122,832		108,134		141,862		167,332		152,278	
4.20		3.70		3.30		4.50		4.40		3.00	
512,826		523,842		434,371		625,127		917,344		639,480	
2.80		2.00		2.40		3.60		2.50		1.70	
304,332		327,356		317,963		342,277		293,098		325,694	
6.50		5.00		5.00		9.20		6.20		4.90	
42,898		41,006		61,296		65,245		47,972		44,497	
1.40		1.20		1.60		2.50		1.40		1.30	
0.70		0.40		0.40		0.60		0.40		0.40	
8.92		9.00		9.51		11.99		14.03		13.54	
6.72		6.66		7.13		9.23		10.43		11.13	
26.76		27.14		28.00		34.60		37.37		33.22	
Amount	**Times Turn**	**Amount**	**Times Turn**	**Amount**	**Times Turn**	**Amount**	**Times Turn**	**Amount**	**Times Turn**	**Amount**	**Times Turn**
1,132,363	1.17	581,001	2.14	571,913	1.70	1,203,493	1.66	1,060,088	2.22	861,408	1.46
285,389	2.16	202,021	2.35	105,162	2.90	142,984	3.27	568,765	2.37	278,885	1.69
349,613	1.77	221,522	2.06	228,031	2.38	406,334	2.13	335,488	1.59	247,795	1.56
38,892	1.68	13,741	0.81	8,584	5.92	53,854	2.23	22,987	1.86	8,630	0.00
19,565	1.71	0	0.00	806	26.56	5,402	12.12	5,239	0.00	7,288	1.56
1,825,822	**1.53**	**1,018,285**	**2.35**	**914,496**	**2.40**	**1,812,067**	**2.11**	**1,992,567**	**2.23**	**1,404,006**	**1.60**
35.01%		37.53%		40.60%		44.11%		21.48%		34.15%	
1.48 Times		1.94 Times		1.96 Times		1.70 Times		2.06 Times		1.58 Times	
7.00		11.67		11.40		10.16		9.52		8.90	
19.99		31.10		28.08		23.03		44.32		26.07	

FIG. 9
SUCCESSFUL DEALERS
Average Net Profit
By Agricultural Region

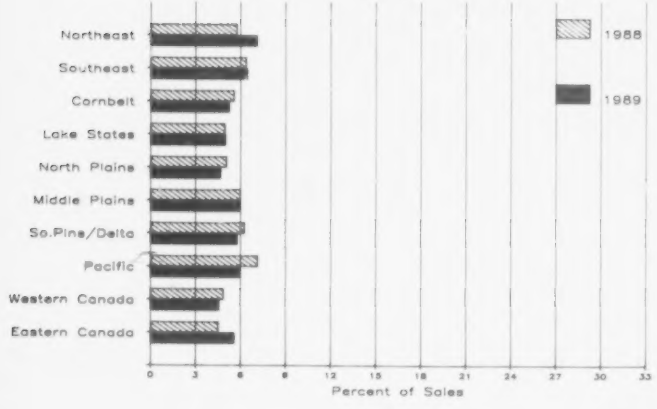
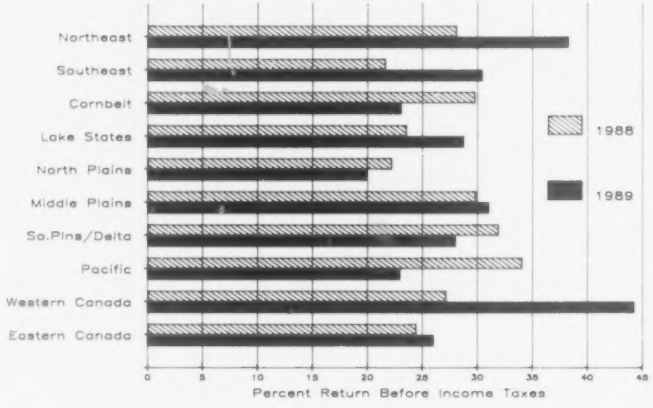


FIG. 10
SUCCESSFUL DEALERS
Average Return on Investment
By Agricultural Region



Comparative Analysis Form

	Amount	% Sales	Amount	% Sales
SALES				
New Equipment	$		$	
Used Equipment				
Total New and Used				
Repair Parts				
Service Labor				
Other Lines				
Rental Lease Income				
Total Sales				
MARGINS				
New Equipment				
Used Equipment				
Total New and Used				
Repair Parts				
Service Labor				
Other Lines				
Rental Lease Income				
Total Operating Margin				
EXPENSES				
Salaries - Salesmen				
Travel And Training				
Advertising And Promotion				
After Sales And Warranty Expense				
Total Sales Expense				
Salaries - Officers, Owners				
Salaries - Partsmen				
Salaries Office And Others				
Occupancy Expense				
Heat, Light, Power, Water				
Telephone And Telegraph				
Office And Store Expense And Postage				
Computer Expense				
Shop Supplies And Expense				
Car And Truck Expense				
Taxes - Except Payroll & Real Estate				
Employee Benefits				
Dues And Subscriptions				
Insurance - Except Group & R.E.				
Legal And Auditing				
Interest & Bank Chgs - Except R.E.				
Depreciation				
Bad Debts				
Contributions And Miscellaneous				
Total Expense				
Net Profit On Sales				
Other Income				
Net Operating Profit Or Loss (Before Income Taxes)				

Ten Important Financial and Operating Ratios

Financial records, carefully maintained, provide dealers with the only sound measuring device for business success. They help measure the ability of their business to generate profits and to meet claims against it. And they provide the basis, also, for isolating the business' strengths and weaknesses and may even, through analysis, suggest how best to plan for profits and to maintain solvency.

With this in mind, the following ratios have been developed from year-end operating statements and balance sheets submitted by dealers in the current studies. Adequate records will enable comparisons of these ratios that are very valuable to the dealer.

Current Ratio

Figure by dividing Current Assets by Current Liabilities.

This ratio compares the total of cash, and the items which will be converted into cash, with debts which must be paid soon. Thus, the ratio reflects ability to handle current debts.

A ratio of the two to one ($2 of Current Assets for each $1 of Current Liabilities) is considered satisfactory. When the ratio falls below two to one creditors have a greater interest in Current Assets than the owner.

Employee Studies

Comparison of your sales per employee in each category to the averages is the first step in measuring employee efficiency. The next step is to compare your current year figures to previous years.

Ownership Equity

Figure by dividing Net Worth by Total Assets.

Ownership Equity is shown on the "Net Worth" line of the balance sheet in the column headed "% Total Assets."

This ratio shows how much of the business is proprietor-owned; and conversely, by subtracting the percentage from 100 percent, it shows how much of the business is financed by outside capital (creditors).

When Net Worth is less than 50 percent of Total Assets, creditors have a greater interest in the assets than proprietors.

Receivables Turnover

Figure by dividing the total of Repair Parts and Service Sales by Accounts Receivable.

The turnover rate is meaningful when customer receivables are related to the corresponding customer sales of the dealership. Since internal sales of parts and labor have not been separated from customer sales in this survey, turnover is not calculated.

This ratio shows if receivables are in proportion to the amount of business transacted and might be used every month to good advantage. Divide sales year-to-date by receivables and compare with the ratio for the same period in the past two or three years. Unfavorable trends can thus be detected.

Net Working Capital Turnover

Net Working Capital is determined by subtracting Current Liabilities from Current Assets.

Rate of turnover is figured by dividing Sales by Net Working Capital.

The number of times Net Working Capital turns over in a year is a good measure of activity for any business. It is a sensitive indicator of over trading or under trading. And, it is a good test of how adequate Net Working Capital is for the firm's scale of operations.

When the ratio is too high, it is usually because the dealership is short of cash, and heavy on receivables and paid-for inventory. This situation promotes borrowing, or sale of equipment at a loss, to meet payroll and other fixed obligations. When it is too low, inefficient use of capital in the receivables, inventory, cash or a combination of these is in excess of the needs of the business.

Inventory to Net Working Capital

Figure by dividing Inventory by Net Working Capital.

This ratio for most dealers in the farm and power equipment industry is extremely high because inventories are characteristically heavy and represent a major portion of Total Current Assets, and because of heavy financing of whole goods.

In most other retail lines, inventory requirements are relatively smaller and supplier credit terms are shorter.

Turnover of Total Assets

Figure by dividing Sales by Total Assets.

The importance of this ratio is illustrated by the dealership with $750,000 of Total Assets that achieves Total Sales of $1,500,000. While another, with an equal amount of assets, achieves a Total Sales of only $1,000,000. The first is more efficient in its use of assets.

However, a high rate of turnover is not necessarily the key to profits. As in the ratio, Sales to Net Working Capital, high turnover may be an indicator of inadequate capital in relation to sales volume. Also, high usage of rental property by a dealer usually results in a high rate of turnover.

Return on Assets

Figure by dividing Net Profit by Total Assets.

This ratio is also an important test of operating efficiency. It is a test of management's use of the assets in the business. It lays aside all problems related to the source of funds, whether such funds are obtained from capital investment, borrowings or purchases on credit. It shows the return on total capital invested in the business (owner capital plus outside capital), which is represented by Total Assets.

Return on Net Worth

Figure by dividing Net Profit by Net Worth.

Using this ratio, it is important that a fair salary for the owner be included in operating expenses of the business. The owner's time is certainly worth something. Therefore, all Net Profit ratios should be based upon the profit after this salary is paid.

Adequacy of profit must be measured on investment returns, as well as compensate for risks.

Inventory Turnover

Figure by dividing Cost of Sales by Inventory.

Cost of sales figures are not reported in this study but should be figured by subtracting Margin from the corresponding Sales.

This ratio shows the number of times inventory is bought and sold during the year, reflected in "turnover" in the balance sheet studies.

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